City of Punta Gorda

LONG RANGE FINANCIAL PLAN

Fiscal Years 2021-2025

In January 2008, the City published its first Business Plan which incorporated economic and financial strategies and key performance measures into a single document. In order to augment the financial strategy component of the Plan, a long-range financial plan was developed in January 2009 to assist management in the planning and allocation of resources to achieve City Council's goal of maintaining fiscally responsible decision making within all sectors of the organization. The Plan provided the organization with an opportunity to change or influence current policies and practices before they created critical fiscal strains on the budgetary fabric.

The Fiscal Years 2021-2025 Long Range Financial Plan presents multi-year fiscal forecasts for the City's major fund groups. In addition, the Plan discusses the update to the Strategic Plan process beginning in FY 2021, any changes proposed to financial policies, and budget issues or items currently known for the upcoming budget year. The new strategic planning process will not only focus on a current year management plan, but also strategically on a longer-term vision for the upcoming needs of the City. This will allow for a starting point of discussion and direction in developing the FY 2022 budget while providing a context of how it might affect the future years' forecasts. The Plan is shown in the following format:

Section 1: Major Fund Five-Year Fiscal Forecasts

Section 2: Strategic Planning Process Update

Section 3: Proposed Financial Policy Changes

Section 4: Budget Issues

Section 1: Major Fund Five-Year Fiscal Forecasts

Core Level of Service Comparative Analysis

In order to set the stage for review of the City's major fund five-year fiscal forecasts, staff undertook an analysis how Punta Gorda compares with surrounding jurisdictions in delivering core services in January 2021. The charts below provide a benchmarking analysis of costs to deliver core level of services for eight Southwest Florida municipalities. Services compared include those paid for by property taxes, fees/assessments (sanitation, fire, roads/drainage/stormwater, debt service) and average annual water/sewer bill at estimated 7 thousand gallons per month usage.

The fact that the order may be different is due to service costs being based on flat rate or taxable assessed value which may change the total. Punta Gorda remains competitive with surrounding Southwest Florida municipalities for delivery of its core services.

Basic Tax Fee Comparison
Single Family Residential

based on taxable value of $100,000

	Naples	Punta Gorda	Bonita Springs	Sarasota	Venice	North Port	Cape Coral	Fort Myers
Property Taxes	$ 115.00	$ 343.37	$ 81.73	$ 326.32	$ 436.00	$ 376.67	$ 637.50	$ 796.43
Water & Sewer (Avg Monthly annualized)	$ 821.88	$ 954.60	$ 1,115.40	$ 1,486.68	$ 1,855.68	$1,651.20	$1,563.24	$1,954.80
Sanitation (Solid Waste)	$ 330.36	$ 278.64	$ 225.82	$ 294.60	$ 275.46	$ 245.00	$ 227.72	$ 228.96
Fire Service	$ 0	$ 0	$ 223.00	$ 0	$ 0	$ 199.76	$ 220.21	$ 77.91
Roads/Drainage/Stormwater	$ 167.16	$ 0	$ 0	$ 0	$ 0	$ 217.56	$ 137.50	$ 96.16
Debt Service	$ 0	$ 0	$ 0	$ 22.34	$ 59.74	$ 0	$ 30.00	$ 0
TOTAL	**$ 1,434.40**	**$ 1,576.61**	**$ 1,645.95**	**$ 2,129.94**	**$ 2,626.88**	**$2,690.19**	**$2,816.17**	**$3,154.26**

based on taxable value of $250,000

	Naples	Punta Gorda	Bonita Springs	Sarasota	North Port	Venice	Cape Coral	Fort Myers
Property Taxes	$ 287.50	$ 858.43	$ 204.33	$ 815.80	$ 941.68	$1,090.00	$1,593.75	$1,991.08
Water & Sewer (Avg Monthly annualized)	$ 821.88	$ 954.60	$ 1,115.40	$ 1,486.68	$ 1,651.20	$1,855.68	$1,563.24	$1,954.80
Sanitation (Solid Waste)	$ 330.36	$ 278.64	$ 225.82	$ 294.60	$ 245.00	$ 275.46	$ 254.02	$ 228.96
Fire Service	$ 0	$ 0	$ 557.50	$ 0	$ 257.56	$ 0	$ 242.80	$ 77.91
Roads/Drainage/Stormwater	$ 167.16	$ 0	$ 0	$ 0	$ 217.56	$ 0	$ 162.50	$ 96.16
Debt Service	$ 0	$ 0	$ 0	$ 55.85	$ 0	$ 149.35	$ 75.00	$ 0
TOTAL	**$ 1,606.90**	**$ 2,091.67**	**$ 2,103.05**	**$ 2,652.93**	**$ 3,313.00**	**$3,370.49**	**$3,891.31**	**$4,348.91**

General Fund

Some of the additional expenditures approved by City Council for FY 2021 included the following:

- Public Safety - additional employee testing requirements negotiated under the police officer bargaining contract, annual maintenance for new software, and increased legal costs associated with risk protection orders due to unfunded mandate from the Florida Legislature in a prior year. This will also be the first full year of the body camera program. Fire also had increases for specific employee testing criteria, training and related travel for maintaining certifications, and medical supplies for ALS program.
- Information Technology – overall increase of 4.2% for city-wide projects.

The FY 2021 budget five year fiscal forecast includes the following assumptions: a millage of 3.4337 to cover on-going service levels approved for FY 2021, modest anticipated increases of 5% in taxable property valuations, 1% to 2% increases in shared state revenues and other general fund revenues, 4% merit wage increases, 6% increases for health insurance, 10% increases for workers compensation, 5% increases for pensions and general liability insurance, 3% increases in all other operating expenditures, capital outlay at $740,000 per year, and transfers per five year capital improvements plan. The City then focuses on a two-year decision plan based on these current assumptions. As a result, the financial plan has been developed to eliminate any estimated gap in FY 2021 and FY 2022 and to initiate planning for future years' budgets. The fiscal forecast projects deficits in the range of approximately $0.6 million to $1.2 million per year from FY 2022 through FY 2025. This deficit along with other budgetary challenges will need to be addressed as we move forward with the budget.

General Fund
Proforma Schedule of Revenues and Expenditures
Budget FY 2021 through Proforma FY 2025

	Budget FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024	Proforma FY 2025
Change in Taxable Value of Property	**4.6%**	**5%**	**5%**	**5%**	**5%**
Revenues:					
Ad Valorem Tax	$11,467,550	$12,040,930	$12,642,975	$13,275,125	$13,938,880
Other Revenue	19,321,760	11,520,225	11,429,480	11,592,350	11,757,995
Use of Prior Year's Reserve	297,690	564,900	0	0	0
Use of Capital Outlay Reserve	733,000	0	0	0	0
Total Revenues	31,820,000	24,126,055	24,072,455	24,867,475	25,696,875
Expenditures:					
Personnel Expenditures	15,737,585	16,418,920	17,132,695	17,880,565	18,664,285
Operating Expenditures	4,899,210	5,114,475	5,262,880	5,416,210	5,574,630
Capital Outlay	664,000	740,000	740,000	740,000	740,000
Transfers to other Funds	7,825,150	0	0	0	0
Transfers for Tax Increment Financing	840,055	873,660	908,605	944,950	982,745
Transfers for Capital Projects	1,080,000	205,000	205,000	205,000	205,000
Transfers for Roads	459,000	459,000	459,000	459,000	459,000
Transfers for Drainage	300,000	300,000	300,000	300,000	300,000
Contingency	15,000	15,000	15,000	15,000	15,000
Total General Expenditures	31,820,000	24,126,055	25,023,180	25,960,725	26,940,660
Expenditures in Excess of Revenue	$0	$0	($950,725)	($1,093,250)	($1,243,785)
Minimum Reserve (9% to 11%) plus additional $120,460	$2,280,000	$2,412,500	$2,622,800	$2,846,400	$3,084,000

(Note: the FY 2021 minimum reserve calculation excludes the $7.8 million one-time transfer)

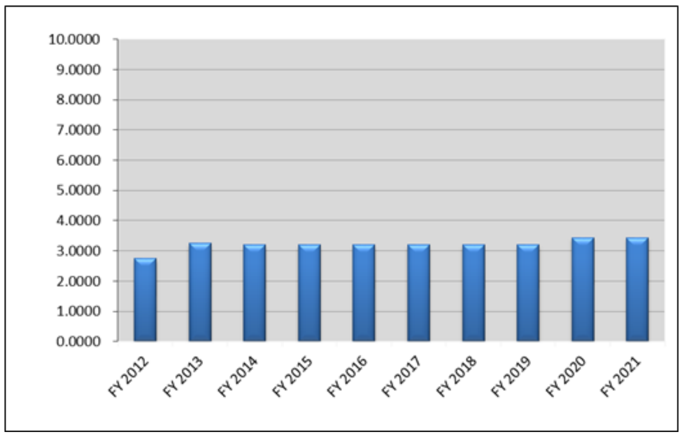
Millage and Taxable Assessed Value

The FY 2021 millage rate of 3.4337 mills is 2.59% over the rolled back rate of 3.3469. The calculated rolled back rate results in the same property tax revenues, sans new construction, as the previous year. Included in the millage rate is $459,000 earmarked for the road resurfacing program and $300,000 for the city-wide drainage improvement program. Proposal of the current millage rate is necessitated by other reduced revenue projections and maintaining current service levels while still continuing to work towards the City's policy of on-going revenues covering on-going expenditures and that available reserves only be used for one-time expenditures. The goal of increased dedicated reserves continues to be of paramount importance.

Property Tax Millage Rates
Fiscal Years 2012 - Budget 2021

A mill is equal to one dollar of tax for each $1,000 of taxable value. Florida Statutes caps the millage rate at 10 mills.

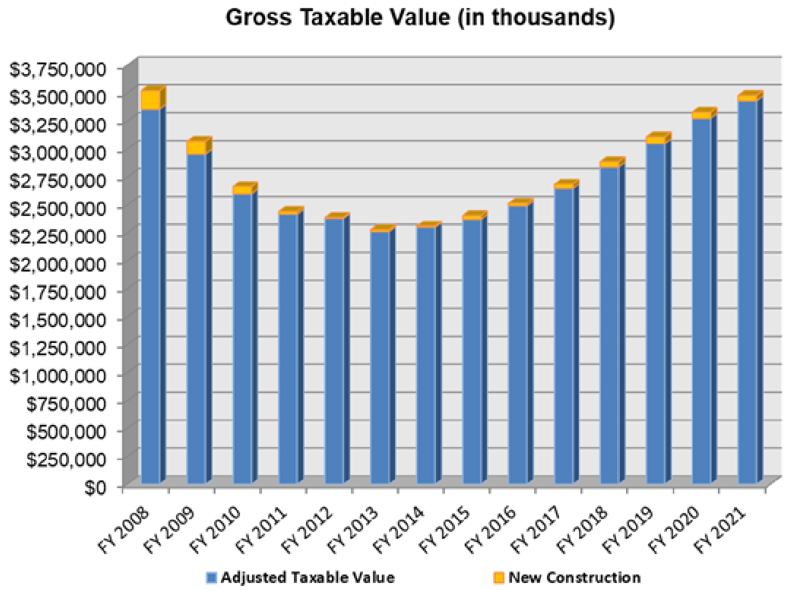
Fiscal Year	Millage Rate
2012	2.7462
2013	3.2462
2014	3.1969
2015	3.1969
2016	3.1969
2017	3.1969
2018	3.1969
2019	3.1969
2020	3.4337
2021	3.4337



History of Taxable Property Values

Fiscal Year	Final Gross Taxable Value*	$ Change from Previous Year	% Change from Previous Year	New Construction	% of Previous Year Gross Taxable Value
2008	$3,496,182,626	-$19,378,360	-0.6%	$168,546,000	4.8%
2009	$3,062,265,808	-$433,916,818	-12.4%	$115,280,000	3.3%
2010	$2,646,132,752	-$416,133,056	-13.6%	$65,914,000	2.2%
2011	$2,447,711,910	-$198,420,842	-7.5%	$24,317,000	0.9%
2012	$2,367,768,124	-$79,943,786	-3.3%	$7,854,000	0.3%
2013	$2,270,096,296	-$97,671,828	-4.1%	$16,856,000	0.7%
2014	$2,308,224,076	$38,127,780	1.7%	$9,890,893	0.4%
2015	$2,398,248,062	$90,023,986	3.9%	$32,800,312	1.4%
2016	$2,513,363,249	$115,115,187	4.8%	$23,895,443	1.0%
2017	$2,685,303,159	$171,939,910	6.8%	$38,357,930	1.5%
2018	$2,887,855,644	$202,552,485	7.5%	$50,549,762	1.9%
2019	$3,108,678,379	$220,822,735	7.6%	$60,086,894	2.1%
2020	$3,325,350,916	$216,672,537	7.0%	$54,169,154	1.7%
2021	$3,478,861,006	$153,510,090	4.6%	$46,759,746	1.4%

*Includes New Construction



Gross Taxable Value (in thousands)

The Charlotte County Appraiser's July 1st certification shows a 3.2% overall increase for properties on the books from the prior year, and an additional 1.4% provided by new construction, annexations and changes in exemption for calendar year 2019. This is the eighth straight year that property values increased in the City after six consecutive years of declining values (35% decrease from FY 2007 to FY 2013). The net effect of property value changes over the past thirteen years is a cumulative 0.5% decrease in taxable values. In previous years, the protection of Save Our Homes resulted in a majority of homestead property taxable values being below just values. Due to increasing property values, the number of homestead properties at parity (market or just value equaling assessed value) decreased significantly since FY 2013. Knowing that the taxable value is only now reaching the same levels of 2008 while projects, responsibilities, and long-term costs continue to increase, this inequity must be addressed moving forward.

Fund Balance

In January 2016, upon review of Long Range Financial Plan, City Council approved updates to the comprehensive set of financial management policies. The following specifically address fund balance or reserve objectives.

- An adequate level of unrestricted fund balance will be maintained so credit rating agencies will recognize the City is in sound financial condition when they evaluate the City's credit worthiness.
- The City will strive to follow the Government Finance Officers Association's (GFOA) recommendation for a minimum level of unrestricted fund balance for the General Fund. The GFOA states the unrestricted fund balance for the General Fund should be a minimum of 2 months of operating expenditures, or 16.7%.
- For the General Fund and all other operating funds, except the Utilities Fund, the City will establish an unassigned fund balance minimum of 9.0% of total fund expenditures. Additionally, health insurance savings of $120,460 from FY 2020 are added to the General Fund unassigned fund balance minimum. (Note: It is intended that this percentage increase each year and eventually attain the GFOA best practice standard of a 16.7% dedicated reserve.)
- The City should have a prudent level of unrestricted fund balance to protect against the need to reduce service levels or raise taxes and fees due to temporary revenue shortfalls or unexpected one time expenditures.

- The City should maintain an adequate level of unrestricted fund balance as working capital to support operations until sufficient current revenues (taxes) are received.
- The City will provide a Capital Outlay Reserve based on the 5 year capital outlay program needs, and will fund the average annualized 5 year need, in order to provide a stabilized funding plan.

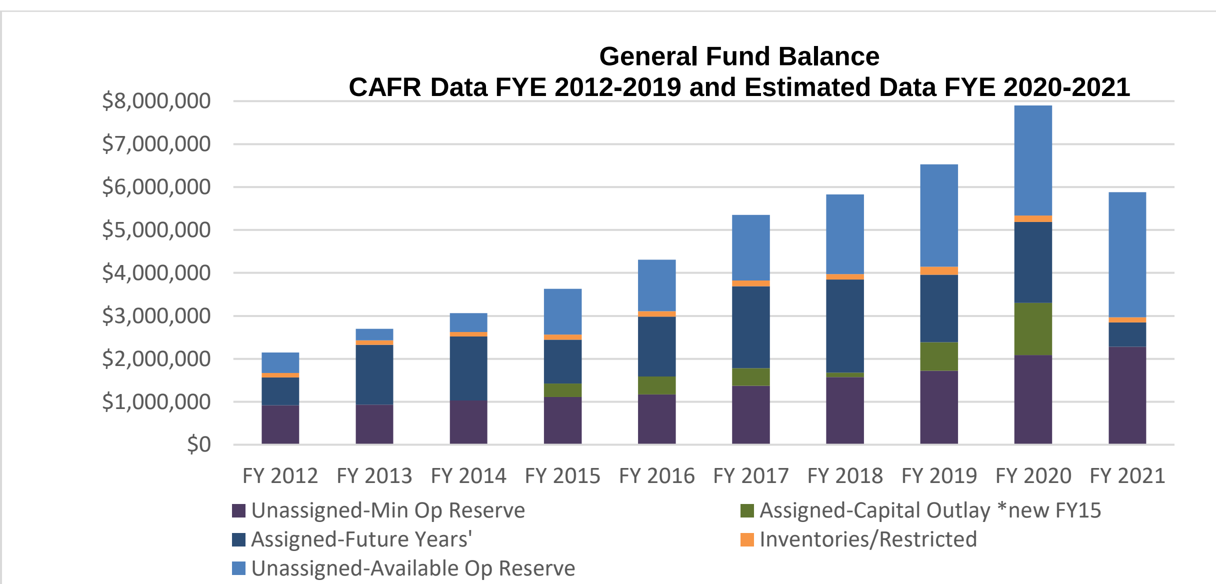
Beginning in FY 2007, the City earmarked a portion of reserves over the minimum policy to assist in paying for ongoing levels of service until such time as the economy fully rebounds. FY 2021 continues this practice. The Graphs below have been updated for 9/30/2020 actual balances (unaudited at this time) and Projected FY 2021 as of 1/31/2021.

Analysis of General Fund Balance
as a Percentage of General Fund Expenditures
at Fiscal Year End

Fund Balance Category	FY 2018 Amount	% of Exp.	FY 2019 Amount	% of Exp.	Est. Actual FY 2020 Amount	% of Exp.	Projected FY 2021 Amount	% of Exp.
Inventories/Restricted	$ 126,529	0.6%	$ 182,025	0.8%	$ 147,088	0.6%	$ 125,000	0.5%
Assigned-Future Years' Use of Op. Reserve	2,166,590	10.3%	1,573,254	7.3%	1,886,163	8.2%	564,900	2.4%
Assigned-Capital Outlay Reserve	104,000	.5%	662,000	3.1%	1,213,000	5.3%	0	0.0%
Unassigned-Minimum Op. Reserve (Orig)	1,575,000	7.5%	1,725,000	8.0%	2,089,460	9.1%	2,280,000	9.5%
Unassigned-Available Op. Reserve	1,859,295	8.9%	2,384,774	11.1%	2,566,176	11.1%	2,910,187	12.1%
Total Fund Balance	$ 5,831,414	27.8%	$ 6,527,053	30.3%	$ 7,901,887	34.3%	$ 5,880,087	24.5%
General Fund Orig Budgeted Expenditures	$ 20,989,827		$ 21,556,198		$ 23,038,594 *		$ 23,994,850 *	

*FY 2020 and FY 2021 Budgeted Expenditures excludes transfer of loan draw to PGI Canal Maintenance Fund

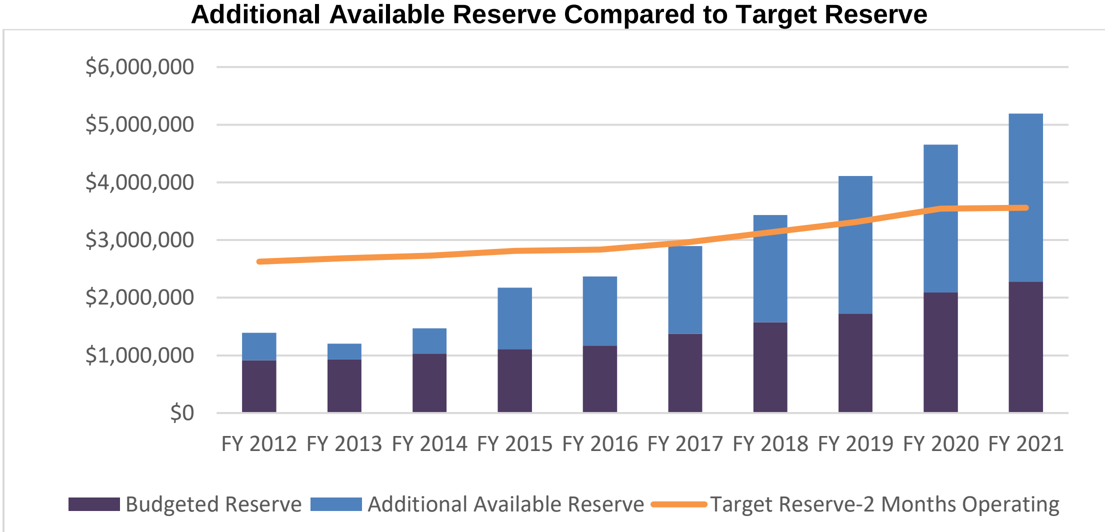
The following graph presents the general fund balance trend information. The minimum operating reserve is regulated by the City's financial policy. For fiscal year 2021 it is set at 9.0% of the total expenditure appropriations (excluding a loan draw transfer to PGI Canal Maintenance fund) plus $120,460 for the general fund, which calculates to $2,280,000. It is the City Council's policy to continue to take steps each year to increase the minimum reserve. The base block of reserves has grown steadily each year. If the economy rebounds in FY 2022-2025, the proforma indicates that at end of FY 2025, the minimum reserve will still only be at 11.0% plus $120,460.



The second block of the reserves was new in FY 2015. It is a funding mechanism for capital outlay that provides a smoothed amount to be funded annually, based on the 5 year capital outlay plan. The current annual smoothed level of general revenue funding for capital outlay is $740,000. Those amounts unused will be carried in the reserve until the year scheduled for use. In the FY 2020 reserve, the amount of $1,213,000 is reserved for capital outlay purchases that were not complete at 9/30/2020 and to fund a larger planned capital outlay purchase in FY 2021. The third block of the reserves is the amount identified as needed to balance the subsequent years' budget in the proforma. In this case, FY 2022 as currently projected, would need an additional $564,900 from reserves to be balanced. These funds are from one-time reserves and cannot be sustained long-term without creating a structural deficit. This is part of the issue needing to be addressed as we move forward with total needs of the City. The fourth block is the small amount of funds identified in the Comprehensive Annual Financial Report (CAFR) as inventories. The final and fifth block is the remaining amount of reserves that are available for use. The City has not appropriated them for expenditures, and as such, are considered as part of the current operating reserve for purposes of stabilizing the general fund. In future years, as the policy allows the minimum reserve to increase these funds will be shifted from the available reserve to the minimum required reserve.

The Governmental Finance Officers Association of the U.S. and Canada has a best practice recommendation of a reserve of two months operating expenditures. The graph below shows the best practice level as a line that was reached in FY 2017 and has now been achieved through FY 2021 (including additional available reserves). However, City council prefers to have the additional available reserves for uses as needed for one-time projects or economic downturns.

City Minimum Reserve combined with Additional Available Reserve Compared to Target Reserve



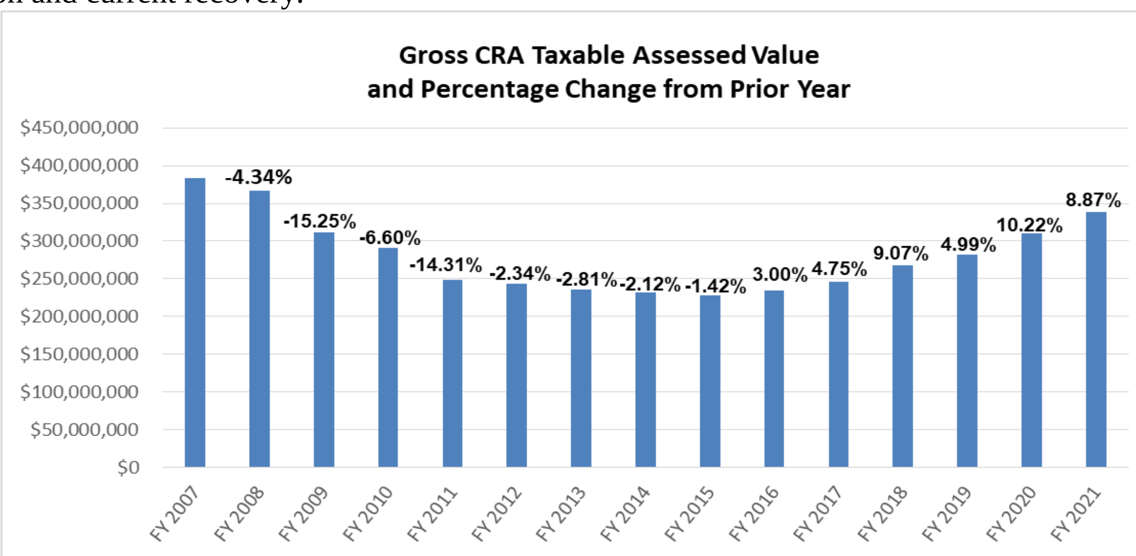
Community Redevelopment Agency

City Council created the Community Redevelopment Agency (CRA) in 1989 as a mechanism to carry out the goals and objectives of the Downtown Redevelopment Plan and Eastside & Downtown Planning Study. Projects constructed within the CRA were funded by property owners within the CRA from tax value increments generated over the 1989 base year. The CRA focused redevelopment efforts on projects which assisted in rebuilding our public spaces. These efforts concentrated on several expansive projects which stressed the importance of maintaining our public waterfront, alleviating parking issues and helped to re-establish the critical mass of structures and economic activity within the downtown area and adjacent neighborhoods. Over 60% of the CRA tax base is commercial and professional uses.

The CRA has experienced dramatic fluctuations in taxable assessed value and related City/County tax increment finance (TIF) contributions over the past thirteen years. The table shown here provides the history of taxable value and revenue generated from TIF since FY 2007.

Fiscal Year	Gross CRA Taxable Assessed Value	City TIF Contribution	County TIF Contribution	Total TIF Contribution
FY 2007	$383,774,587	$627,124	$1,394,380	$2,021,504
FY 2008	$367,113,862	$591,466	$1,236,559	$1,828,025
FY 2009	$311,130,098	$562,664	$1,250,570	$1,813,234
FY 2010	$290,592,852	$538,621	$1,139,173	$1,677,794
FY 2011	$249,005,996	$436,047	$974,342	$1,410,389
FY 2012	$243,188,559	$424,246	$970,103	$1,394,349
FY 2013	$236,361,169	$480,644	$929,373	$1,410,017
FY 2014	$231,340,961	$458,101	$902,447	$1,360,548
FY 2015	$228,049,842	$448,578	$884,092	$1,332,670
FY 2016	$234,899,693	$470,728	$927,748	$1,398,476
FY 2017	$246,050,943	$502,566	$988,358	$1,490,924
FY 2018	$268,367,069	$570,342	$1,124,073	$1,694,415
FY 2019	$281,762,265	$611,027	$1,204,258	$1,815,285
FY 2020	$310,556,021	$750,208	$1,376,602	$2,126,810
FY 2021	$338,099,236	$840,055	$1,541,465	$2,381,520

The graph depicts the historical trend of assessed values since the height prior to the recent economic recession and current recovery.



In July 2012, the CRA Board and City Council, in partnership with Charlotte County, recognized that declining taxable values could not support the repayment schedule of existing debt. In doing so, the three governing bodies approved the extension of the life of the CRA until December 31, 2030. Subsequently, the City completed refinancing CRA debt to better match income flow and to eliminate projected deficits. Due to the passed Tax Cuts and Jobs Act, the corporate tax rate was reduced to 21% from a maximum rate of 35% as of January 1, 2018. This change increased the City's interest cost over the remaining life of the loan by $454,000. In April 2020, in a market of declining interest rates, the City was able to refinance the debt, thereby saving approximately $565 thousand in net interest costs over the remaining term. The proposed FY 2021 TIF revenue is based on 8.9% increase in taxable value in the district and no change in the County and City millage rate. The proforma continues to anticipate conservative assessed property value increases of 2% in FY 2022 through FY 2025. The resulting estimated debt service reserve grows from $2,432,000 at end of FY 2021 to $6,024,000 at end of FY 2025, providing a buffer for economic downturns thereby ensuring that annual debt service can be met. If no downturn is experienced, debt will be retired earlier and the CRA District will sunset prior to 2030.

The proforma for the district has been divided into three divisions to better identify the funding sources for the three responsibilities of the district: 1) retirement of the CRA debt through the County and City TIF; 2) operations of Herald Court Centre (HCC); and 3) maintenance of the infrastructure contributed by the district, such as the marina, interactive fountain, restrooms and pavilions adjacent to the marina, mooring field, HCC parking structure and numerous gateway enhancements, intersection treatments, pocket parks and Martin Luther King Boulevard. As the infrastructure ages, the need for repair and maintenance will increase. Projected expenditures for FY 2021 reflect this trend with a budget of $105,000 for maintenance and repairs that increases to $145,000 for FY 2022 through FY 2025. If funds are not needed in the current fiscal year, they will carryover to the next fiscal year, thereby ensuring funds are available to properly maintain the infrastructure. The reserve for other operations in this category shows a balance of $270,000 at end of FY 2021 and is reduced to $152,000 by FY 2025.

The Herald Court lease revenue for FY 2021 through FY 2025 projects one vacant unit as leases are coming up for renewal so as not to over project revenues. Florida Gulf Coast University is currently on a month to month lease term. Based on these projections, the reserve for the Herald Court Centre shows a balance of $274,000 in FY 2021 and growing to $403,000 at end of FY 2025. This reserve has two segments, the first is those funds received through the common area maintenance (CAM) fee and prepaid taxes from tenants that must be reserved for such use, and the second is available to cover shortfalls in lease revenue for purposes of ongoing operations and maintenance.

Community Redevelopment Agency Fund
Proforma Schedule of Revenues and Expenditures
Budget FY 2021 through Proforma FY 2025

	Budget FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024	Proforma FY 2025
Debt Service Division					
Assessed Property Valuation change	**8.9%**	**2%**	**2%**	**2%**	**2%**
Tax Increment Financing (TIF) Revenue	$2,381,520	$2,429,150	$2,477,733	$2,527,288	$2,577,834
CRA Lease Payments (Debt Service)	1,501,720	1,544,082	1,584,278	1,626,290	1,666,100
Revenues in Excess of Debt Svc	879,800	885,068	893,455	900,998	911,734
Reserve - TIF for Debt Svc (Beg)	1,552,456	2,432,256	3,317,324	4,210,779	5,111,777
Reserve - TIF for Debt Svc (End)	**$2,432,256**	**$3,317,324**	**$4,210,779**	**$5,111,777**	**$6,023,511**
Herald Court Operations Division					
Herald Court Revenues	$254,320	$259,950	$266,585	$272,805	$279,320
Herald Court Operating Expenditures	216,130	224,315	232,835	241,690	250,910
Revenues in Excess of Herald Ct Operations	38,190	35,635	33,750	31,115	28,410
Reserve - Herald Ct (Beg)	235,539	273,729	309,364	343,114	374,229
Reserve - Herald Ct (End)	**$273,729**	**$309,364**	**$343,114**	**$374,229**	**$402,639**
CRA Operations Division					
Other CRA Revenues	$122,355	$123,230	$124,110	$125,000	$125,900
Other CRA Operating Expenditures	114,000	154,000	154,000	154,000	154,000
Revenues in Excess (Shortfall) of Other Operations	8,355	(30,770)	(29,890)	(29,000)	(28.100)
Reserve - Other Operations (Beg)	261,775	270,130	239,360	209,470	180,470
Reserve - Other Operations (End)	**$270,130**	**$239,360**	**$209,470**	**$180,470**	**$152,370**

Utilities

The current five-year financial forecast is based on 2-day per week watering; average rainfall; and new financing based on the FY 2021-2025 capital improvement plan. The City Council adopted a financial policy in March 2014 to fund $1,120,000 with current revenues those expenses for recurring line and lift station repairs and replacements. The current proforma continues to suspend the recommended 4% water & sewer rate increase that was planned for FY 2018 based on the 2015 Rate Sufficiency Study by Burton & Associates with a 50% grant for the RO plant. A 2020 Rate Sufficiency Study by Stantec is under underway and any adjustments adopted by City Council may affect projected revenues. The Septic to Sewer financial plan for properties in the Utilities service area that are outside the City limits has been developed and incorporated into the capital improvement plan. Wastewater improvements/expansion and several major watermain and force main projects has also been incorporated into the five-year plan.

Utilities OM&R Fund
Proforma Schedule of Revenues and Expenses
Budget FY 2021 through Proforma FY 2025

	Budget FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024	Proforma FY 2025
Revenues:					
Chg for Serv - Water	$10,474,500	$10,526,875	$10,579,510	$10,632,405	$10,685,565
Chg for Serv - Sewer	7,652,600	7,690,865	7,729,320	7,767,965	7,806,805
Other Revenue	1,194,765	998,290	999,350	1,722,135	2,338,510
Total Revenues	19,321,865	19,216,030	19,308,180	20,122,505	20,830,880
Expenses:					
Operations	13,826,530	14,308,655	14,816,690	15,345,540	15,896,140
Renewal & Replacement of Infrastructure	920,000	770,000	770,000	1,120,000	1,120,000
Transfer for Capital Improvement Projects	10,430,000	4,240,000	25,000	1,845,000	1,190,000
Existing Debt Service	200,000	0	0	0	0
New Debt Service	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000
Transfer to SRF Fund-reserve incr(decr)	(375,000)	618,000	448,000	0	0
Est. new debt service WWTP	0	0	0	1,066,000	2,132,000
Est. new debt service Septic to Sewer-Area 1	0	0	0	0	686,000
Total Expenses	26,159,530	21,121,655	17,244,690	20,561,540	22,209,140
Revenues in Excess (Shortfall) of Expenses	(6,837,665)	(1,905,625)	2,063,490	(439,035)	(1,378,260)
Operating Reserves-Beg	11,747,348	4,909,683	3,004,058	5,067,548	4,628,513
Operating Reserves-End	$4,909,683	$3,004,058	$5,067,548	$4,628,513	$3,250,253

Utilities Reserves

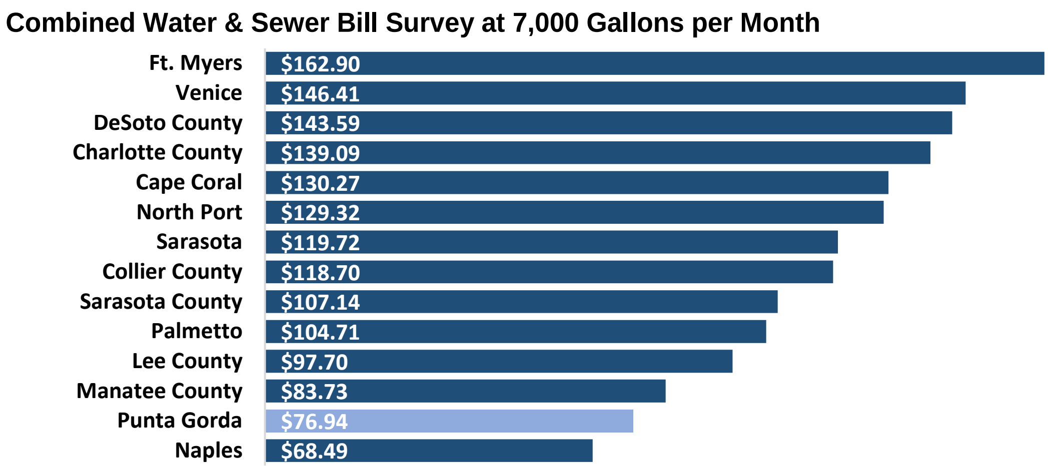
The City has legal and adopted financial policies utilizing reserves for the following purposes:

- Maintain an unassigned fund balance minimum of $3.1 million; protection against unforeseen revenue declines and extraordinary operating expenses due to economic or weather disasters, and contract bids or equipment failures.
- Provide an emergency fund for existing infrastructure by retaining the Renewal and Replacement fund of $1.5 million, which until January 2014 was required by bond covenants;
- Utilize a Capital Outlay reserve to provide level funding, City Council has approved the $728,850 funding level in FY 2020; and $700,000 for FY 2021 through FY 2025. If the funds are not spent in the budgeted fiscal year, they will be placed in the Capital Outlay reserves. This will ensure that current and future aging issues of mechanical parts in both plants can be addressed in an adequate manner.
- Existing State Revolving Loan Fund (SRF) reserve fund maintains one year of debt service payments and proforma shows reduction of $375,000 in FY 2021 as final payment on the old SRF loan is made.
- The water and sewer impacts have restricted use and are kept in a reserve for growth related capital projects, such as Taylor Rd water main upgrade, new water main at Tee & Green, debt service on the Groundwater Reverse Osmosis (RO) Water Treatment Plant, wastewater force main on Jones Loop

Road, septic to sewer project areas and planned expansion of the wastewater plant. The 2020 Rate Sufficiency Study by Stantec will review impact fee rates using the current capital improvement plan.

Utilities Rate Comparison

The City's utility rates are the 2nd lowest among the Southwest Florida utilities surveyed at the projected FY 2021 rates.



Sanitation

The City operates its sanitation services as an enterprise fund and collects refuse two days per week and horticulture one day per week for 11,950 residential units. For the 660 commercial units, collection is available 6 days per week. The City implemented semi-automatic pickup system with carts which is expected to reduce injuries and yet allow the full-service that Punta Gorda residents appreciate. The City has improved the recycling program by providing a 48 gallon rolling cart to each household, which is collected one day per week by an outside vendor. The projected diversion of waste stream from the landfill is 35%, which exceeds the 30% mandate. The program continues in FY 2021 with a rate increase of $0.50 per month or $6.00 per year, due to a contract increase. Due to the continued annual increases in recycling costs, the City will be exploring alternatives for this service. In addition, a $0.10 per month or $1.20 per year increase in refuse rates was adopted and represents the first increase in refuse rates since 2005. Switching to once per week refuse was presented in an effort to reduce refuse costs and rates, but citizen response to Council members, indicated that most residents were not in favor of this change.

The FY 2021 budget includes the replacement of (1) packer and projects replacements of two packers, a clamshell loader and a truck in FY 2023 through FY 2025. This reflects a slight change to the packer replacement program in later years in an effort to avoid heavy repair costs towards the end of service life on groups of packers that were purchased in the same year. As with the general and utility fund, City Council approved funding of a capital outlay reserve in order to stabilize the funding source. However, rates will need to be reviewed as FY 2023 approaches since the current proforma does not show sufficient funding to continue to accumulate funds for the next set of packer purchases after FY 2023. Additional rate increases may be needed in FY 2023 or FY 2024 to support the fleet replacement.

Sanitation Fund
Proforma Schedule of Revenues and Expenses
Budget FY 2021 through Proforma FY 2025

	Budget FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024	Proforma FY 2025
Revenues:					
Chg for Serv - Refuse Collection	$3,847,920	$3,960,035	$4,083,665	$4,196,330	$4,309,270
Other Revenue	34,600	34,100	33,600	32,725	31,600
Capital Lease/Purchase	0	0	0	300,795	256,000
Total Revenues	3,882,520	3,994,135	4,117,265	4,529,850	4,596,870
Expenses:					
Operations	3,742,170	3,918,865	4,124,125	4,335,870	4,554,370
Capital	285,795	0	295,795	300,795	256,000
Debt Service	0	0	0	25,060	71,445
Total Expenses	4,027,965	3,918,865	4,419,920	4,661,725	4,881,815
Revenues in Excess (Shortfall) of Expenses	(145,445)	75,270	(302,655)	(131,875)	(284,945)
Operating Reserves-Beg	713,672	568,227	643,497	590,842	458,967
Capital Outlay Reserves-Beg	250,000	250,000	250,000	0	0
Capital Outlay Reserves-End	$250,000	$250,000	$0	$0	$0
Operating Reserves-End	$568,227	$643,497	$590,842	$458,967	$174,022

To compare the City’s rates with surrounding jurisdictions, a survey was taken during May 2020. All rates include once per week service for yardwaste and recycling, and either once or twice per week refuse pickup, as noted below.

Sanitation Rate Comparison for FY 2021

Jurisdiction	Proposed FY 2021 Cost/Year	Frequency of Service per Week	Outsourced
City of Sarasota	$294.60	1	No
Naples	$292.74	2	No
Punta Gorda	$278.64	2	No
Charlotte County	$271.55	1	Yes
Venice	$270.31	2	No
North Port	$245.00	1	No
Fort Myers	$228.96	1	No
Lee Co. (Avg 6 districts)	$224.37	1	Yes
Sarasota County	$218.31	1	Yes
Collier County	$217.50	2	Yes
Cape Coral	$199.56	1	Yes
Manatee County	$171.96	2	Yes

Canal Maintenance Districts Funds

Punta Gorda Isles Canal Maintenance District

The FY 2021 budget for the Punta Gorda Isles (PGI) canal maintenance assessment district reflects the Advisory Committee recommendation to reduce the annual operating assessment of $650 to $550. The final two years of $100 assessment projected for the repayment of debt service on the Hurricane Irma (September 2017) seawall projects is removed because the FEMA share was increased to 90% of expenditures thereby reducing the State's and City's shares to 5% each. The repairs to the seawall failures are 100% complete. The City continues to work closely with FEMA and the State regarding the rip rap mitigation portion of the project. It has been delayed pending permitting and therefore the budget for expenditures and loan draws have been moved to FY 2021 with expected FEMA and State reimbursements and loan repayments to occur in FY 2022.

The five-year proforma proposes the $550 assessment through FY 2025. A handheld GPS unit is included in capital outlay in FY 2021 and channel construction to access spoil site project is scheduled in the five-year program. The Ponce de Leon Inlet widening and dredging project is on hold and not included in the budget or five-year program. Although it is a priority project, prior studies need to be reviewed to provide justification as a maintenance project, Chapter 6 would need to be amended, or creation of additional assessment area may be required.

Results of a study to review new seawall panel technologies and/or installation methods while maintaining the character of the district may affect future year projections.

PGI Canal Maintenance Fund
Proforma Schedule of Revenues and Expenditures
Budget FY 2021 through Proforma FY 2025

	Budget FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024	Proforma FY 2025
Assessment Rate	**$550**	**$550**	**$550**	**$550**	**$550**
Revenues:					
Operating Assessment	$2,862,465	$2,862,465	$2,862,465	$2,862,465	$2,862,465
FEMA & State-Hurr. Irma Reimb.	0	$7,825,150	0	0	0
Transfer from General Fund(Financing)	7,825,150	0	0	0	0
Other Revenue	15,500	13,000	13,000	10,500	7,000
Total Revenues	10,703,115	10,700,615	2,875,465	2,872,965	2,869,465
Expenditures:					
Operations	1,053,925	1,042,600	1,083,020	1,125,270	1,169,450
Inlet Dredging	75,000	75,000	75,000	75,000	75,000
Seawalls and Stabilization	1,786,000	1,839,580	1,893,420	1,950,525	2,008,900
Capital	6,000	100,000	0	250,000	250,000
Trsfr to Debt Svc Fd-Repay Seawall Ln	0	7,981,660	0	0	0
Seawall Repairs & Mitigation-Hurr.Irma	8,237,000	0	0	0	0
Total Expenditures	11,157,925	11,038,840	3,051,440	3,400,795	3,503,350
Revenues in Excess (Shortfall) of Expenditures	(454,810)	(338,225)	(175,975)	(527,830)	(633,885)
Operating Reserves-Beg	2,852,493	2,397,683	2,159,458	1,983,483	1,705,653
Reserve Seawall Replacement-Beg	600,000	600,000	500,000	500,000	250,000
Reserve Seawall Replacement-End	$600,000	$500,000	$500,000	$250,000	$0
Operating Reserves-End	$2,397,683	$2,159,458	$1,983,483	$1,705,653	$1,321,768

Burnt Store Isles Canal Maintenance District

The FY 2021 budget for the Burnt Store Isles (BSI) canal maintenance assessment district reflects the Advisory Committee recommendation to reduce the annual assessment of $555 to $460. This reflects a mid-year adjustment in FY 2020 to pay off the final year of dredging debt service with the funds saved from the increased percentage (75% increased to 90%) received from FEMA on the Hurricane Irma seawall repairs.

The City was impacted by Hurricane Irma in September 2017. The repairs of seawall failures in the BSI Canal Maintenance District are complete. The City continues to work closely with FEMA and the State regarding the rip rap mitigation portion of the project. It has been delayed pending permitting and therefore the budget has been moved to FY 2021 with expected FEMA and State reimbursements to occur in FY 2022. The District's assessments are sufficient to fund the City's share of the project.

The five-year proforma proposes the $460 assessment through FY 2025. The $460 assessment is for normal operations and annual funding of seawall replacement reserve. Construction of barge access/inlet widening project and engineering and construction of channel corner widening project are under consideration and are not currently budgeted in FY 2021 or beyond. If projects are approved at a later date funding sources would need to be determined and supplemental appropriation would be needed. Proforma includes a separate section that shows the effects on reserves if projects were to move forward without additional funding/assessments.

Results of a study to review new seawall panel technologies and/or installation methods while maintaining the character of the district may affect future year projections.

BSI Canal Maintenance Fund
Proforma Schedule of Revenues and Expenditures
Budget FY 2021 through Proforma FY 2025

	Budget FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024	Proforma FY 2025
Operating Rate	**$460**	**$460**	**$460**	**$460**	**$460**
Revenues:					
Operating Assessment	$474,800	$474,800	$474,800	$474,800	$474,800
Interest	4,265	4,150	4,475	3,925	3,125
FEMA & State-Hurr, Irma Reimb	0	294,000	0	0	0
Total Revenues	479,065	773,450	479,275	478,725	477,925
Expenditures:					
Operations	111,400	108,105	110,920	113,840	116,875
Inlet Dredging	25,000	38,000	38,000	38,000	38,000
Seawalls and Stabilization	300,000	309,000	318,270	327,820	337,655
Hurricane Irma Rip Rap Mitigation	310,000	0	0	0	0
Total Expenditures	746,400	455,105	467,190	479,660	492,530
Revenues in Excess (Shortfall) of Expenditures	(267,335)	318,345	12,085	(935)	(14,605)
Operating Reserves-Beg	812,837	500,502	773,847	740,932	694,997
Reserve Seawall Repl & Spec.Proj-Beg	180,000	225,000	270,000	315,000	360,000
Reserve Seawall Repl & Spec.Proj-End	$225,000	$270,000	$315,000	$360,000	$405,000
Operating Reserves-End	$500,502	$773,847	$740,932	$694,997	$635,392
Projects Requiring Approval & Funding:					
Barge Access-Inlet Widening Construction	15,000	0	125,000	125,000	0
Channel Corner Widening Proj	0	100,000	0	0	200,000
Est. Beg. Reserves with projects	992,837	710,502	928,847	815,932	689,997
Est. End. Reserves with projects	$710,502	$928,847	$815,932	$689,997	$475,392

Laishley Park Marina

Laishley Park is operated as an enterprise fund to include the marina and park grounds. The City outsources management of the marina to Marina Park LLC, however retains the authority to set boat slip, community room, ship's store and pavilion rental rates. The budget reflects projected revenues from the above sources as well as contracted personnel and operating costs associated with management of the marina area. The marina is operated and open year round.

The FY 2021 budget incorporates the July 2016 adopted marina fee and East Mooring Field fee schedules which were based on a survey of neighboring marinas. The City continues to apply for a Department of Environmental Protection Clean Vessel Act (CVA) Grant and a Charlotte County Marine Advisory Committee (MAC) Grant each year to offset costs of maintenance and repairs of the Laishley Park Municipal Marina Pumpout Boat. Funding for dredging and for repair and maintenance of the mooring field and docks continues to be budgeted. FY 2021 includes maintenance projects for restriping of boat trailer parking area and replacement of concrete sidewalk by storage building. Budget included capital outlay for replacements of various light equipment. At this time, the Laishley Park Marina has not seen a decrease in slip usage related to the COVID pandemic. The five-year proforma maintains the July 2016 rate schedules. Based on current usage the fund is self-sustaining for operations.

At the direction of City Council, staff is developing a plan for charging and collection of boat trailer parking. This will be brought back to Council for approval and budget will be adjusted as a supplemental appropriation. In addition, maintenance and upgrade improvement needs continue to come to the forefront that requires City involvement to keep the Marina operating properly.

Laishley Park Marina Fund
Proforma Schedule of Revenues and Expenses
Budget FY 2021 through Proforma FY 2025

	Budget FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024	Proforma FY 2025
Revenues:					
Slip & Mooring Rentals	$462,195	$462,195	$462,195	$462,195	$462,195
Intergovernmental Revenue	11,000	11,000	11,000	11,000	11,000
Other Revenue	26,870	26,970	27,195	27,425	27,660
Total Revenues	500,065	500,165	500,390	500,620	500,855
Expenses:					
Laishley Park Marina Expenses	301,840	207,240	212,810	218,560	224,495
Marina Park Contract Expenses	261,800	268,755	275,920	283,295	290,895
Capital Outlay	6,000	6,000	6,000	6,000	6,000
Total Expenses	569,640	481,995	494,730	507,855	521,390
Revenues in Excess (Shortfall) of Expenses	(69,575)	18,170	5,660	(7,235)	(20,535)
Operating Reserves-Beg	464,924	395,349	413,519	419,179	411,944
Operating Reserves-End	$395,349	$413,519	$419,179	$411,944	$391,409

Building

The Building fund is operated as an enterprise fund and includes all aspects of permitting, inspections, plans review and licensing of contractors to support the State and City building codes. The City has established various permit fees to pay for services provided. Staffing had been reduced from thirteen positions in FY 2006 to five in FY 2013 with furloughs due to a decline in permit applications, inspections and stagnant growth trends. Since the turnaround that began in FY 2013, staff was reinstated to full 40 hour work weeks and the following positions were added through FY 2020: three building inspectors, a permit clerk and an engineering technician that is utilized 50% in the building division to complete line and grade inspections and 50% in the engineering division in the general fund. An additional plans examiner/inspector position is added in FY 2021 due to increased permit activity of a more complex nature, current employees not being licensed in all disciplines requiring more depth (especially in electrical), and to relieve Building Official for administrative duties. The department is still not fully staffed, with regulatory and operational responsibility ever increasing.

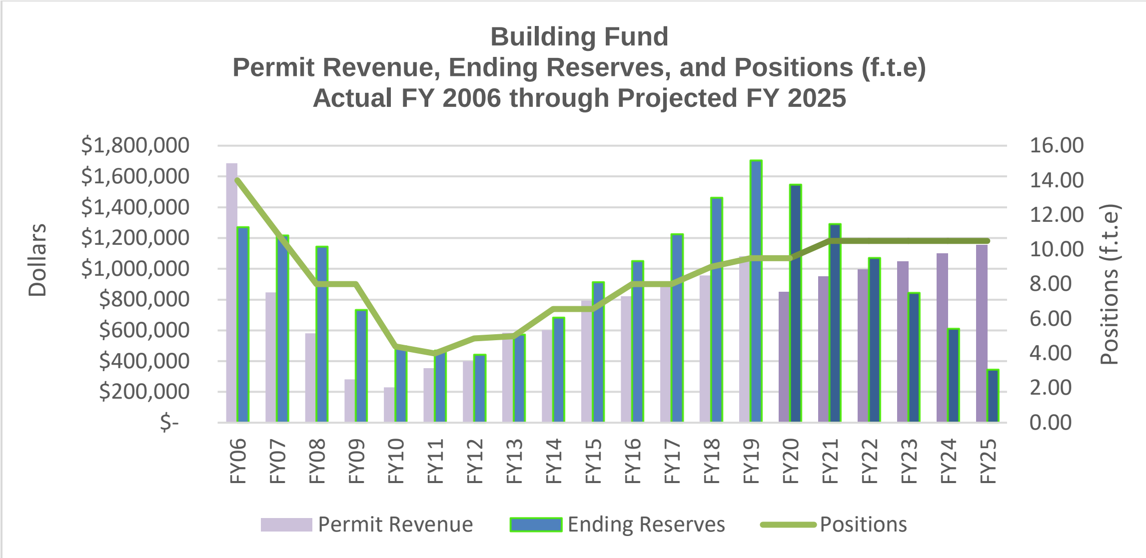
In the latter half of FY 2020, to assist residents and business owners experiencing financial hardship during the COVID pandemic, the City chose to lower building permit fees by 25% for the period May 26th through September 30th.

Permit fees are budgeted to return to normal for FY 2021. The five-year proforma projects permit revenues increasing 5% each year. An additional plans examiner/inspector position is added in FY 2021 due to increased permit activity of a more complex nature, current employees not being licensed in all disciplines requiring more depth (especially in electrical), and to relieve Building Official for administrative duties. The City will continue to monitor activity and may adjust work schedules or staffing levels in the future if activity warrants and revenues allow. Capital outlay is projected for a new vehicle in FY 2021 for the new position.

Building Fund
Proforma Schedule of Revenues and Expenses
Budget FY 2021 through Proforma FY 2025

	Budget FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024	Proforma FY 2025
Revenues:					
Permits, Fees & Spec.Assessments	$1,012,350	$1,059,850	$1,109,750	$1,162,150	$1,217,150
Other Revenue	52,500	51,000	49,750	48,750	46,250
Total Revenues	1,064,850	1,110,850	1,159,500	1,210,900	1,263,400
Expenses:					
Operations	1,295,790	1,331,260	1,386,440	1,444,040	1,504,165
Capital	25,000	0	0	0	25,000
Total Expenses	1,320,790	1,331,260	1,386,440	1,444,040	1,529,165
Revenues in Excess (Shortfall) of Expenses	(255,940)	(220,410)	(226,940)	(233,140)	(265,765)
Operating Reserves-Beg	1,546,724	1,290,784	1,070,374	843,434	610,294
Operating Reserves-End	$1,290,784	$1,070,374	$843,434	$610,294	$344,529

As experienced in the previous economic downturn (FY 2008-2013), the level of reserves projected is necessary to continue necessary levels of service even during downturns in new construction starts. The chart below shows actual permit revenue, ending reserves and staffing from actual FY 2006 through FY 2019 and projected FY 2020 through FY 2025. It is clear that the permit revenues have not reached the same levels as before the last economic downturn and that if another downturn were to occur, there are fewer positions that could be reduced than before.



Gas Tax

Based on state statutes providing restrictions on use of gas tax revenue, the City has established local option fuel taxes in two funds. The first six cents is used for transportation expenditures such as roadway and right of way maintenance, drainage, street sweeping, street lights, traffic sign and signals, bridge maintenance, railroad crossings and sidewalk repairs. The second five cents is used only for road capital improvement such as paving rejuvenation and resurfacing.

Proceeds from fuel taxes are distributed by the State to Charlotte County and the City. The City's share for the first six cents distribution was increased from 10.34% to 10.98% beginning in FY 2021, and the next five cents remains at 6.74%. The distribution allocation is determined by the five-year average transportation expenditures or interlocal agreement, which has remained the same for FY 2021. A history of revenue received since FY 2012 is displayed in the following chart.

Fiscal Year	6 Cents	5 Cents	Total
2012	$ 531,480	$ 248,440	$ 779,920
2013	$ 526,830	$ 243,570	$ 770,400
2014	$ 548,900	$ 259,200	$ 808,100
2015	$ 573,000	$ 266,700	$ 839,700
2016	$ 588,200	$ 274,500	$ 862,700
2017	$ 593,900	$ 277,500	$ 871,400
2018	$ 607,200	$ 279,200	$ 886,400
2019	$ 598,700	$ 272,800	$ 871,500
2020	$ 540,000	$ 246,000	$ 786,000
2021	$ 545,000	$ 246,000	$ 791,000

The effect of elasticity of gas consumption (the tax is charged on gallons not dollars) in the past years of increased gas prices resulted in a decline of revenue in the high priced years. Revenues had been increasing during the recent gas price reduction. During FY 2020 the City has been experiencing a decrease in revenues as compared to FY 2019 due to the COVID pandemic that resulted in statewide and local shutdowns and reduced travel. Projections for FY 2020 and FY 2021 were reduced accordingly.

The Six Cent Gas Tax Fund five-year proforma projects the reduced gas tax revenue in FY 2021 with slow growth of 2% per year through FY 2025. The use of reserves covers shortfalls through FY 2025.

Six Cent Gas Tax Fund
Proforma Schedule of Revenues and Expenditures
Budget FY 2021 through Proforma FY 2025

	Budget FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024	Proforma FY 2025
Revenues:					
Local Option Gas Tax	$545,000	$555,900	$567,015	$578,355	$589,920
Other Revenue	290,710	296,455	302,820	308,940	315,545
Total Revenues	835,710	852,355	869,835	887,295	905,465
Expenditures:					
Operating Expenditures	959,315	962,075	964,870	967,700	970,560
Total Expenditures	959,315	962,075	964,870	967,700	970,560
Revenues in Excess (Shortfall) of Expenditures	(123,605)	(109,720)	(95,035)	(80,405)	(65,095)
Operating Reserves-Beg	487,599	363,994	254,274	159,239	78,834
Operating Reserves-End	$363,994	$254,274	$159,239	$78,834	$13,739

The Additional Five Cent Gas Tax Fund five-year proforma projects reduced tax revenue in FY 2021 with 1% increases through FY 2025, which does not fully support the required annual paving program as identified by the City Engineering Division. Council addressed the importance of maintaining the City's road infrastructure with a policy of transferring ad valorem millage revenue of $459,000 as an ongoing subsidy.

Additional Five Cent Gas Tax Fund
Proforma Schedule of Revenues and Expenditures
Budget FY 2021 through Proforma FY 2025

	Budget FY 2021	Proforma FY 2022	Proforma FY 2023	Proforma FY 2024	Proforma FY 2025
Revenues:					
Local Option Gas Tax	$246,000	$248,460	$250,945	$253,455	$255,990
Transfer from General Fund Ad Valorem	459,000	459,000	459,000	459,000	459,000
Other Revenues	90	115	140	170	205
Total Revenues	705,090	707,575	710,085	712,625	715,195
Expenditures:					
Paving	700,000	705,000	705,000	710,000	710,000
Total Expenditures	700,000	705,000	705,000	710,000	710,000
Revenues in Excess (Shortfall) of Expenditures	5,090	2,575	5,085	2,625	5,195
Operating Reserves-Beg	16,559	21,649	24,224	29,309	31,934
Operating Reserves-End	$21,649	$24,224	$29,309	$31,934	$37,129

Section 2: Strategic Planning Process Update

The Strategic Plan is used to set the overall goals for the City, provide direction to City departments, and create the basis for each year's annual budget. The plan provides a tool for more effective and economical operations and demonstrates to the public that careful consideration has been given to future development and direction of the organization. The plan provides a realistic view of the expectations for the organization and community at-large.

During FY 2021, City Council spent considerable time developing and approving a framework that reflected a shift to an outcomes based annual plan. This framework will continue to serve as the operational strategic plan annually. The missions, vision and values were also adjusted to reflect the learning that was acquired as a result of the Charrettes and presentations during the PLAN Punta Gorda 2019 Citywide Master Plan process.

Components of the master planning efforts, such as the rewrite of the Comprehensive Plan, rewrite of the Land Development Regulations, and developing Form Based Codes are a part of the near-term planning that will guide the overall look and feel of the City.

The Capital Improvement Projects program delineates the projects that are worked on in a given fiscal year. It includes strategic objectives, periodic status reports that highlight progress to date, funding and timelines for completion. The 1 % Sales Tax projects are prioritized by City Council and scheduled over a six-year plan. Studies such as those focusing on Septic to Sewer, Seawall Methods, and the Wastewater Treatment Plant are also key drivers of planning.

The City Manager is placing a new internal focus on forecasting for the needs of the departments and divisions to meet the goals and objectives of long-term plans. This includes developing a clear understanding of operating impact for each Capital Improvement Project, staffing needs, and equipment needs. This internal strategic planning process will position the City to better understand the revenue needs over time to maintain the assets of the City and enhance programming provided to the community. The result will be a business plan that communicates to the City Council how Council's vision for the City will be pushed forward over the next three years. It will provide residents with a clear picture of how City services will be enhanced.

Section 3: Proposed Financial Management Policy Change

The City maintains a comprehensive set of financial policies in the areas of financial planning, revenues, and expenditures that have been adopted by Council. The last amendment on February 19, 2020 increased the unassigned fund balance minimum from 8.5% to 9.0% of total fund budgeted appropriation for the General Fund and all other operating funds, except the Utilities Fund. It also accounted for health insurance savings of $120,460 to be added to reserves that could only be used for future health insurance increases that may exceed the 6% estimated increases in the General Fund. That amended policy is:

> For the General Fund, and all other operating funds, except the Utilities Fund, the City requires an unassigned fund balance minimum of 9.0% of total fund budgeted appropriations. For the General Fund an additional $120,460 will be added to the 9.0% only to be used in cases to mitigate health insurance increases over 6% in a future year. Council intends to reach a 16.7% unassigned fund balance minimum. Each year, as the economy improvement allows, the City will increase the minimum by 0.5%.

The proposed change to reflect the increase to 9.5% plus the additional set funds is reflected here in the proposed policy for FY 2022:

> For the General Fund, and all other operating funds, except the Utilities Fund, the City requires an unassigned fund balance minimum of 9.5% of total fund budgeted appropriations. For the General Fund an additional $120,460 will be added to the 9.5% only to be used in cases to mitigate health insurance increases over 6% in a future year. Council intends to reach a 16.7% unassigned fund balance minimum. Each year, as the economy improvement allows, the City will increase the minimum by 0.5%.

It is recommended, that Council consider use of net year end surplus from either extra revenues or unexpended budget to increase the percentage allocated to the minimum requirement earlier than planned. Once that minimum amount is achieved, it is recommended that the City work towards setting remaining funds for use only in one-time expenditures and/or adding capital outlay reserves.

Policy Status Update

Policy: Equipment that has a cost basis of State of Florida statutory minimums will be assigned a fixed asset number and tagged to identify the equipment as property of the City.

Status: The State statutory minimum was increased from $1,000 to $5,000 effective October 1, 2020. The City tags its fixed assets at the rate in compliance with the statutory minimim.

The City will continue to record attractive items with a value or cost less than $5,000 for inventory purposes, i.e. laptops, tablets, etc.

Section 4: Budget Issues

General Fund

One of the City's financial management policies continues to recommend recurring revenues be aligned with recurring expenditures. In addition the fiscal forecast is predicated on retention of the current millage rate. The estimated value of a mill for FY 2022 is $3,506,650. In order to address the above policy and/or millage rate assumption, revenues and expenditures should be examined in order to reduce or eliminate the gap.

An option of establishing a millage rate using only growth-related revenues ($122,400 based on $39 million in tax base growth net of early payment discount) would result in a relative millage rate decrease of 0.1286 mills. In order to achieve a balanced budget (current revenues equalling current expenditures) based on this assumption, the total shortfall would increase to $1,015,880. The following expenditure reductions can be considered but are not recommended:

Areas of Consideration	Range
Reduction of drainage program	$0 - $300,000
Eliminate various programs and related staffing	To Be Determined based on input from Council and citizens
Reduced capital outlay funding program	$0 - $740,000

Items that are currently not in the projected budget but will need to be considered as the FY 2022 budget is developed are:

General Employee merit increase (Citywide) – Progression planning and career progression programs have been implemented in efforts to retain current employees and plan for retirements. The proforma estimates an annual merit wage adjustment of 4%. A review of surrounding area government agencies wage adjustments may be undertaken to evaluate City efforts in remaining competitive in the current job market. At this time, Charlotte County is proposing a 4% pay increase for their employees. The Fire bargaining unit contract will expire September 30, 2021. Contract negotions should begin within the next two months.

City Match for Defined Contribution Retirement Plan (Citywide) – In FY 2012, the General employees defined benefit plan was closed and a defined contribution plan was developed for general employees. This plan allows a city match of 100% on the employees contribution of the first 5% of pensionable wages and a city match of 50% of the employees contribution over 5% but not exceeding 10% of pensionable wages. Any employees contribution over 10% of pensionable wages are not matched by the City. In looking at new employee retention and other nearby governmental employers that still offer FRS or defined benefit plans, it is suggested to increase the City match to 100% for the over 5% but not exceeding 10% tier of employee contributions. Based on employees current contribution rates with the potential for them to increase their contribution, the citywide impact could range from $55,000 up to $149,000, of which the general fund range could be $20,000 up to $63,500. Indications from preliminary data is that matching employee contribution at 100% up to a maximum of 10% of employee pensionable wages is justified. In the immediate area from which the City draws applicants, the City is the only agency that does not have an active defined pension plan for general employees. This has created a training groud stigma in many sectors of the City, and has caused attraction and retention issues resulting in higher turnover rates.

Minimum Wage (Citywide) – A voter passed initiative in November 2020 will gradually increase the Florida minimum wage rate to $15.00 per hour. The next increase planned for September 2021 that will raise the minimum wage rate from $8.65 per hour to $10.00 per hour. Currently, all position grade levels are above the $10.00 per hour minimum with a current minimum of $13.31. However, the City will need to work on a plan for future years where the minimum goes above $13.00 an hour and how that may affect all current employee position rates. Impact would be citywide and may necessitate additional study of the pay plan.

Departmental Restructuring, Service Level Enhancements, and/or Staffing increases (Citywide) – As we move forward to address the identified needs with operational and personnel issues, restructuring is an area that can help both efficiency and clear, consistent communication with staff. This can also tie in to staffing increases needed for service level enhancements to fulfill needs in City operations. These would affect operating budgets and may necessitate rate increases in enterprise funds or other revenue sources in the general fund. These would be brought to Council as each fund is presented through July.

Longevity Awards (Citywide) – Employee recognition has long been identified as a low cost, high yield method to increase employee morale and productivity. It is appreciated when we spend the time and take the effort to thank our employees for the work they accomplish every day for our citizens. This will also be further addressed as we move forward with the budget process.

Personnel Policies and Training (Citywide) – A comprehensive review of personnel policies, as well as employee training and Citywide courses related to legal and operational policies for supervisors and staff, is needed.

General Liability Insurance (Citywide) – Current indications from the City's insurance provider for general liability is that the increase may exceed the City's estimated 5%. This can be attributed not only to the City's increase in infrastructure assets (example RO plant) but also overall industry experience.

Security Measures (Citywide) – The cost estimates of the various components of security measures for various buildings in the City (excluding City Hall) are being presented to Council in February 2021. If approved, FY 2021 mid-year appropriations from the various funds will be needed that would come from each funds available reserves.

City Hall Relocation Costs – Relocation costs for employees and City Council and Board meetings will be considered in developing the FY 2022 budget. Current estimate projection could be up to $500,000 over a two year period.

Boat Trailer Parking Fees at Ponce Park and Laishley Park Marina – As directed by Council, staff is working to add an appropriate ordinance to move an electronic boat trailer parking program forward that may be implemented in the current fiscal year or FY 2022.

Information Technology – Costs in this area continue to rise for several reasons. Additional security enhancements are a necessity in the public sector due to increased cyber attacks on governmental entities. Increased storage capacity needs and use of cloud technology have increased operating costs. Upgrade of technology and conversion of documents posted to website for emergency management, legal requirements, transparency to the public, and other general information for accessibility continues to be a priority. Additionally, technology that could improve the City operations as well as prepare for future needs of remote working need to be considered. The need to balance costs with security and operational efficiencies will need to be analyzed in the decision making process.

Community Redevelopment Agency (CRA) Fund

Due to changes in legislation that now require separate auditing requirements of CRA Funds, it may be beneficial to move the Herald Court Centre Division to an enterprise fund and the Operating Division to the General Fund or Marina Fund for the various components of items that are Laishley Park or marina related. This would leave only the Tax Increment Financing (TIF) and transfer for the associated debt. By moving all other sources of income out of the CRA Fund, it would also be more apparent that non-TIF revenues are funding projects that happen to be in the CRA district.

Punta Gorda Isles Canal Maintenance Fund

The rip rap mitigation permitting is underway. Although it could be a lengthy process, it is hoped that it may be completed within this fiscal year and that project could be bid.

Results of a study that reviewed seawall panel technologies and/or installation methods while maintaining the character of the district were presented to the Advisory Board and City Council. Staff and Advisory Board recommendations differed from the consultant's recommendations to allow for a stepped approach to the number of lineal feet of seawall replaced each year. Recommendations that have been approved: continuing with the current concrete seawall panel with MMFX reinforcement with modifications to the curing process, lowering the bottom weep hole and increasing tie back/deadmen replacement; conducting seawall assessments over a two-year cycle to provide a higher level of detail. Advisory Board recommended a $150 assessment increase to replace an additional 2,400 lineal feet per year. Council has directed staff to conduct a meeting with residents in the district or garner public input during the budget process to review this information and to determine community support for an increased program.

Burnt Store Isles Canal Maintenance Fund

The rip rap mitigation permitting is underway. Although it could be a lengthy process, it is hoped that it may be completed within this fiscal year and that project could be bid.

Results of a study that reviewed seawall panel technologies and/or installation methods while maintaining the character of the district were presented to the Advisory Board and City Council. Staff and Advisory Board recommendations differed from the consultant's recommendations to allow for a stepped approach to the number of lineal feet of seawall replaced each year. Recommendations that have been approved: continuing with the current concrete seawall panel with MMFX reinforcement with modifications to the curing process, lowering the bottom weep hole and increasing tie back/deadmen replacement; conducting seawall assessments over a two-year cycle to provide a higher level of detail. Advisory Board recommended a $100 assessment increase to replace an additional 320 lineal feet per year. Council has directed staff to conduct a meeting with residents in the district or garner public input during the budget process to review this information and to determine community support for an increased program.

Additionally, the projects (barge access/inlet widening and channel corner widening) that have not been approved should also be reviewed to determine if they will move forward and the impact that may have on the assessment rate.

Utilities Fund

Septic to Sewer – A Master plan and Financial plan was presented and accepted by both the Utilities Advisory Board and City Council. Direction was provided to staff to move forward with developing an assessment program to implement transition to sewer in Charlotte Park (Areas 1-3) indentified in the Master plan. The County has indicated they would support the septic to sewer plan for these areas by taking an assessment to public hearing. Giffels-Webster Engineers has been selected to provide a preliminary design report to identify the most appropriate system (gravity or vacuum) and estimated cost. Once the firm presents its finding, City Council can provide direction for staff to develop a project schedule and fiscal impact prior to initiation of the program. This would include community meetings with the affected properties, assessment process, grant applications and/or loan applications.

Wastewater Treatment Plant Expansion – The City's consultant provided alternatives and projected costs for the wastewater treatment plant expansion based on current capacity and future growth demands to the utilities advisory board and City Council in January 2020. Alternative 2 for a new 4MGD secondary treatment process was selected with a capital cost estimate of $38.8 million. Utilities had set aside $4.0 million in the five year capital improvement plan utilizing impact fees and current user revenue for this project for the evaluation, negotiation of the land lease with Fish and Wildlife and to complete the engineering design and permitting. Funding sources will be developed that may include user rate increases, financing, impact fees, and/or grants. A rate study was completed with the recommend rates and impact fees over the next five years to account for the full five year capital improvement plan. The impact fee rates were adopted for the five year plan and the user rates were adopted for the first year only. The following years' user rates will be evaluated each year based upon actual expenditures and/or delays that may be occurring in the project schedules.

COVID pandemic measures – Reinstatement of penalties and shut offs was delayed due to the extension of the declared state of emergency. Anticipated date of reinstatement is being reviewed by City Manager. In addition, the City had elected to absorb credit card fees during this time to allow more customers to have an alternative option rather than in person payments. This is also being reviewed for reinstatement date.

Sanitation Fund

Recycling increase of $0.58 per month is expected as discussed with vendor during the FY 2021 budget development. Also, the City has recently been notified that the landfill currently used by the City for yardwaste and concrete is requesting a 35% increase in their rates. Projections show rates are not adequate to fund the future needs of replacement of equipment and currently show financing of equipment beginning in FY 2024. During the budget process this will be reviewed and options presented.

Laishley Park Marina Fund

As mentioned under General Fund, development of boat trailer parking plan is underway. Submerged land lease requires renewal by end of fiscal year. Terms will be reviewed for various items such as additional pilings for docks, commercial leases, and live aboards. Due to moratorium on evictions, there has also been some trouble with removals for non-payments. The City has contracted with a collection agency in order to try to collect past due amounts.

Building Fund

Reinstatement of full building permit fees was delayed due to extension of declared state of emergency of the COVID pandemic. Anticipated date for reinstatement is being reviewed by City Manager.